

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 NSA-01 CIAE-00 PM-04 H-01 INR-07 L-03
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AMEMBASSY PARIS
DIA
USMISSION EC BRUSSELS
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E.O. 11652: NA
TAGS: PINT, ELAB, IT, EFIN
SUBJECT: ITALIAN UNIONS AND POLITICAL PARTIES DISCUSS HOW TO
AMEND GOI'S LATEST LABOR COST REDUCTION DECREE

REF: (A) ROME 2179; (B) ROME 1940

1. SUMMARY. ECONOMIC EXPERTS OF THE COMMUNIST, SOCIALIST AND
SOCIAL DEMOCRATIC PARTIES (PCI, PSI AND PSDI) GENERALLY AGREED
WITH ITALY'S LABOR LEADERS AT THEIR MEETING FEB 16 THAT THE GOI'S
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FEB. 4 DECREE "FISCALIZING" INDUSTRIAL EMPLOYERS' SOCIAL CONTRI-
BUTIONS (REF. B) NEEDS TO BE AMENDED IN IMPORTANT RESPECTS,
PARTICULARLY TO REMOVE TWO PROVISIONS OBNOXIOUS TO LABOR (REF. A).
CHRISTIAN DEMOCRATIC (DC) REPRESENTATIVES WERE REPORTEDLY RELATIVELY
FIRM IN INSISTING ON MAINTAINING THE DECREE LARGELY AS IS,
ALTHOUGH THEY REITERATED PM ANDREOTTI'S WILLINGNESS TO ACCEPT
AMENDMENTS AS LONG AS THE OVERALL DESIRE EFFECT IS ACHIEVED.

UNIONS INDICATED SOME NEW FLEXIBILITY ON CERTAIN ELEMENTS OF THE COST-OF-LIVING ESCALATOR "BASKET" AND CONSIDERABLE CONSENSUS SEEMED TO BE EMERGING ON MAKING "FISCALIZATION" CONDITIONAL ON PRICE RESTRAINT, AS A SUPPLEMENT TO SOME FORM OF COMPANY-LEVEL WAGE RESTRAINT. THE MEETING WAS EXPLORATORY, WITH NO FORMAL CONCLUSIONS. THE UNIONS ARE SEEKING A MEETING WITH ANDREOTTI NEXT WEEK. HOPEFULLY, CONSENSUS WILL BE ACHIEVED BEFORE THE MATTER IS FINALLY RESOLVED IN PARLIAMENT. END SUMMARY.

2. ECONOMIC EXPERTS OF THE PARTIES NOT OPPOSING THE ANDREOTTI GOVERNMENT MET FEB. 16 WITH LEADERS OF ITALY'S TRI-CONFEDERAL UMBRELLA LABOR FEDERATION CGIL-CISL-UIL(CCU), AT CCU'S REQUEST, TO DISCUSS THE GO'S LATEST LABOR COST REDUCTION DECREE. CCU OBJECTED CATEGORICALLY TO DECREE PROVISIONS EXCLUDING VALUED ADDED TAX (IVA) INCREASES FROM CALCULATION OF COST-OF-LIVING ADJUSTMENTS AND PENALIZING FIRMS CONCEDING NEGOTIATED WAGE INCREASES BEYOND THOSE CALLED FOR IN NATIONAL CONTRACTS, AND ASKED THE PARTIES TO REMOVE THESE PROVISIONS. PCI, PSI AND PSDI SPOKESMEN REPORTEDLY AGREED THAT THE FIRST SHOULD BE ELIMINATED AND THE SECOND MODIFIED.

3. THE UNIONS OFFERED TO OBLIGATE THEMSELVES TO LIMIT ALL COMPANY-LEVEL WAGE DEMANDS TO LEVELS ANALOGOUS TO THOSE DEMANDED AT FIAT AND MONTEDISON (AROUND LIRE 6,000 PER MONTH FOR 1977). DURING THE DISCUSSION, PROPOSALS TO POSTPONE THE EFFECTIVE DATE OF WAGE INCREASES NEGOTIATED THIS YEAR UNTIL JANUARY 1978, OR TO DENY "FISCALIZATION" BENEFITS TO EMPLOYERS GRANTING WAGE INCREASES IN EXCESS OF A LIMIT IN THE AREA OF THAT DEMANDED AT FIAT, WERE REPORTEDLY CONSIDERED SYMPATHETICALLY BY CCU, PSI AND PCI LIMITED OFFICIAL USE

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REPRESENTATIVES. THE CCU REPORTEDLY ALSO INDICATED ITS WILLINGNESS TO ALLOW NEWSTAND PRICES OF NEWSPAPERS AND NORMAL PUBLIC TRANSIT RATES TO BE INCREASED WITHOUT EFFECTING THE ESCALATOR, BY REMOVING THEM FROM THE "BASKET" AND SUBSTITUTING NEWSPAPER SUBSCRIPTION CHARGES AND SPECIAL LOW WORKERS' RUSH HOUR TRANSIT RATES.

4. CCU SPOKESMAN LAMA, CGIL SEC GEN, CRITICIZED THE DECREE'S IVA INCREASE AS TOO MASSIVE, SUGGESTING THAT OTHER MEANS OF FINANCING "FISCALIZATION" MIGHT BE FOUND, SUCH AS USE OF SAVINGS FROM ABOLITION OF SPECIAL PREFERENTIAL WAGE ESCALATOR SYSTEMS, PROCEEDS OF TREASURY BONDS PURCHASED WITH "FROZEN" COST-OF-LIVING INCREASES FOR THOSE WITH INCOMES OVER SIX AND EIGHT MILLION LIRE ANNUAL INCOMES, AND THE SURPLUS IN THE WORKMEN'S COMPENSATION SYSTEM. HE ALSO CALLED FOR A SHIFT OF FOCUS FROM LABOR COST REDUCTION TO CUTTING USELESS GOVERNMENT EXPENDITURE, A GOVERNMENT HIRING FREEZE AND EXPANSION OF PRODUCTIVE GOVERNMENT INVESTMENT. IN THIS REGARD, HE EXPRESSED CCU'S DISAPPOINTMENT AT THE LACK OF GOVERNMENT INVESTMENT PLANS REVEALED BY THE SECTORAL CONVERSATION CCU IS CONDUCTING WITH THE GOVERNMENT.

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5. PCI AND PSI SPOKESMAN WERE ALSO CRITICAL ABOUT THE DECREE'S
"FISCALIZATION" AND IVA-INCREASE PROVISIONS, AND ADVANCED
VARIOUS PARTIAL SUBSTITUTES FOR PARTS OF THESE MEASURES. THE
PCI PROPOSED TEMPORARY ELIMINATION OF COST-OF-LIVING INCREASES IN
EMPLOYERS' SOCIAL CONTRIBUTION AS A SUBSTITUTE FOR "FISCALIZATION".
THE PSI SUGGESTED A MORE SELECTIVE IVA INCREASE, SUPPLEMENTED BY A
LATER LIMITED INCREASE IN DIRECT TAXES. THE DC SPOKESMEN REPORTEDLY
DEFENDED THE GOVERNMENT MEASURES WITH CONSIDERABLE RIGIDITY,
ALTHOUGH IN LINE WITH ANDREOTTI'S EARLIER STATEMENTS, THEY EXPRESSED
WILLINGNESS TO ACCEPT MODIFICATIONS SO LONG AS THE AMENDED LAW
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WOULD ACHIEVE THE SAME BASIC OBJECTIVES.

6. ANOTHER TOPIC DISCUSSION, WHICH MAY EVENTUALLY BECOME AN ADDITIONAL PROVISION OF THE LAW, WAS SOME FORM OF LIMITATION OF PRICE INCREASES BY FIRMS BENEFITTING FROM "FISCALIZATION". CCU DOCUMENTS HAVE LONG MADE REFERENCE TO THE NEED TO RESTRAIN PRICES, AS WELL AS OR INSTEAD OF LABOR COSTS. IN A RECENT MILAN SPEECH, DC SECRETARY ZAVVAGNINI INVITED MAJOR FIRMS TO REFRAIN FROM PRICE INCREASES. ON FEB. 15, PM ANDREOTTI DISCUSSED THE SUBJECT WITH APPROPRIATE KEY DC FIGURES (MINISTERS MORLINO AND DONAT-CATTIN, SENATORS AGNELLI, ANDREATTA AND BARTOLOMEI AND ECONOMIC EXPERT FERRARI-AGGRADI). DC DAILY IL POPOLO REPORTED THAT THEY CONSIDERED FAVORABLY A PROPOSAL TO REQUIRE FIRMS BENEFITTING FROM "FISCALIZATION" TO PROVIDE PRIOR LABOR OR RAW MATERIAL COST INCREASE JUSTIFICATION FOR ANY PRICE INCREASES, OR FORFEIT "FISCALIZATION" BENEFITS. DURING THE FEB. 17 MEETING, THE CCU REPEATED ITS APPEAL FOR SOME FORM OF PRICE RESTRAINT, AND PSI SPOKESMAN SIGNORILE REPORTEDLY PROPOSED THAT INDUSTRIAL FIRMS BENEFITTING FROM "FISCALIZATION" BE REQUIRED TO COMMIT THEMSELVES NOT TO INCREASE PRICES WITHOUT JUSTIFICATION (SUCH AS RAW MATERIAL PRICE INCREASES), AS A COUNTERPART BY INDUSTRY TO COMPENSATE FOR LIMITATION OF COMPANY-LEVEL WAGE INCREASES DURING 1977 ONLY.

7. THE INFORMAL, CONSULTATIVE MEETING BETWEEN THE CCU AND THE POLITICAL PARTIES WAS NOT DESIGNED TO REACH DECISIONS OR MAKE COMMITMENTS. THE CCU HOPES TO MEET ANDREOTTI NEXT WEEK TO DISCUSS THE SITUATION FURTHER.

8. COMMENT: THERE IS EVIDENTLY CCU-PCI-PSI-PSDI CONSENSUS ON ELIMINATING THE DECREE PROVISIONS WHICH REMOVE IVA INCREASES FROM THE ESCALATOR ADJUSTMENTS AND IMPOSE TAX PENALTIES ON COMPANIES NEGOTIATING WAGE INCREASES. THEREFORE THESE PROVISIONS MAY WELL NOT SURVIVE PARLIAMENTARY REVIEW. A CONSENSUS SEEMS TO BE EMERGING IN FAVOR OF SOME FORM OF RESTRAINT ON INDUSTRIAL PRICE RISES BY FIRMS BENEFITTING FROM "FISCALIZATION", AND THE UNIONS, LIMITED OFFICIAL USE

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WHILE CONTINUING IN PRINCIPLE TO OPPOSE LEGISLATIVE INTERFERENCE IN PRIVATE COLLECTIVE BARGAINING, SEEM MORE DISPOSED TO FIND SOME PRACTICAL METHOD OF LIMITING OR POSTPONING COMPANY-LEVEL WAGE INCREASES. ASIDE FROM THAT, THE PICTURE IS RATHER FLUID AND THE FINAL SHAPE OF THE "FISCALIZATION" LAW UNCLEAR. BEAUDRY

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